

**BUY**

**Target Price** CLP 1,096  
**Current Price** CLP 952

**Q DATA**

Bloomberg	SK CI Equity
Rating (Fitch/Feller)	A+/A+
52 weeks Hi/Lo (CLP)	1,019.9/770
Current Price (CLP)	952
Upside Potential	15.2%
Shares outstanding (M)	1,075
Market Cap (USD M)	1,614
Float (%)	23.6%
ADVT 6M (USD M)	0.4

**✓ RATIOS**

	2014	2015E	2016E
EV/EBITDA	8.2x	8.1x	7.4x
EV/Sales	1.2x	1.3x	1.2x
P/E	12.4x	12.6x	11.6x
P/BV	1.4x	1.3x	1.2x
Dividend Yield	3.8%	3.7%	3.6%

**SIGDO KOPPERS**

**Reinitiating coverage with BUY recommendation... Attractive valuations and M&A activity, but Magotteaux still clouds the horizon**

In this report we are reinitiating our SK coverage, increasing our target price from CLP 913 (January 2015) to CLP 1,096 and changing our recommendation from SELL to BUY.

The company has recently shown a poor operating performance in Magotteaux, which is exposed to the European cement business, the slowdown in commodity markets and restructuring costs in Europe. In addition, some businesses were affected by the slowdown in investment (I&C and leasing of machinery). However, we believe that both segments would be at the bottom of their respective cycles, and we could see some improvements in both areas going forward.

Additionally, we believe the company has attractive organic growth plans across its segments, which could be resumed in a more favorable economic scenario. Moreover, several of its businesses generate stable cash flows that allow SK to pay an attractive dividend (the estimated dividend yield for 2015 is 3.7%) and fund inorganic growth plans in complementary segments. In this regard, the company has carried out several acquisitions (Britanite and Davey Bickford) in recent months, and in our view, it could repeat this strategy in upcoming years. We believe that the port business could be attractive as well as other acquisitions in niche engineering segments, or additional acquisitions to further strengthen the grinding media industry.

On a relative valuation basis, there are other alternatives trading at lower multiples to bet on a rebound in mining in the region, as Grana y Montero or Ferreyros. However, we believe that SK has a more defensive exposure and benefits from additional drivers than the mining segment.

According to our 2015 financial estimates (EBITDA of USD 380.8M and Net Income of USD 129M) the company would be trading at 8.1x EV/ EBITDA and 12.6x P/E, which delivers a ~7% discount when compared to its last 5-year average.

CONTACT

Agustín Álvarez  
562 2 692-2576  
aalvarezma@bice.cl

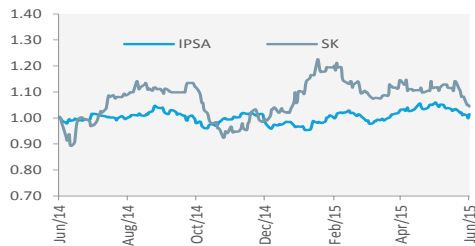
 @BICEinversiones

# SK

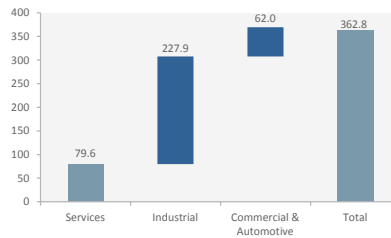
## INDUSTRIAL

Sigdo Koppers is an industrial conglomerate with presence in Chile, Latin America, Asia and Europe. The company has three main business lines: Services, Industrial and Commercial & Automotive. SK participates in the entire value chain of the mining sector (development, operations, processes and logistics).

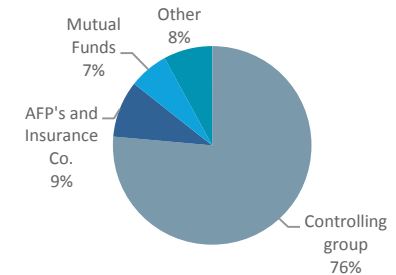
### SHARE PRICE RELATIVE TO IPSA



### LTM EBITDA (USD M) March 15



### OWNERSHIP



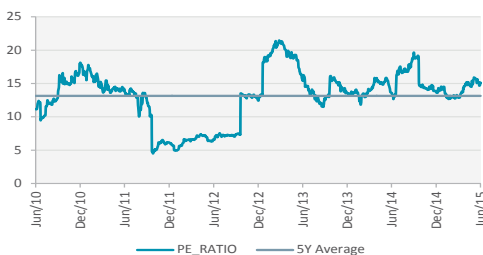
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### FINANCIAL STATEMENTS USD M

INCOME STATEMENT	2013	2014	2015E	2016E	2017E
Revenues	2,953	2,500	2,402	2,610	2,724
Chg%		-15.4%	-3.9%	8.7%	4.3%
EBITDA	409.1	365.6	380.8	414.0	440.8
Chg%		-10.6%	4.1%	8.7%	6.5%
EBITDA Margin	13.9%	14.6%	15.9%	15.9%	16.2%
Net interest	-57.1	-47.5	-45.4	-49.8	-48.7
Associates	50.1	61.5	51.3	51.3	51.3
Net Income	120.8	134.7	129.0	139.7	149.3
Chg%		11.5%	-4.2%	8.3%	6.9%
Net Margin	4.1%	5.4%	5.4%	5.4%	5.5%

### PE TRAILING VS 5Y AVERAGE



BALANCE SHEET	2013	2014	2015E	2016E	2017E
Current Assets	1,251	1,162	1,130	1,209	1,253
Total Assets	3,599	3,401	3,577	3,683	3,743
Financial Debt	1,074	1,025	1,132	1,113	1,054
Total Liabilities	1,994	1,798	1,901	1,915	1,878
Equity	1,605	1,602	1,676	1,768	1,865
Liabilities + Equity	3,599	3,401	3,577	3,683	3,743

DEBT RATIOS	2013	2014	2015E	2016E	2017E
EBITDA/Financial Exp.	6.6x	7.0x	7.5x	7.5x	8.1x
Net Financial Debt/EBITDA	2.1x	2.2x	2.3x	2.1x	1.8x
Debt/Equity	0.67x	0.64x	0.68x	0.63x	0.57x
ROE	10.1%	11.2%	10.3%	10.7%	10.9%

FCF	2013	2014	2015E	2016E	2017E
+ EBITDA	409.1	365.6	380.8	414.0	440.8
- Working capital Chg.	11.6	7.3	23.8	-49.8	-27.0
- Capex	-199.0	-148.9	-123.7	-133.3	-126.8
- Taxes	-17.4	-44.6	-57.2	-68.4	-83.0
TOTAL	204.3	179.5	223.7	162.5	204.0

### CONTACT

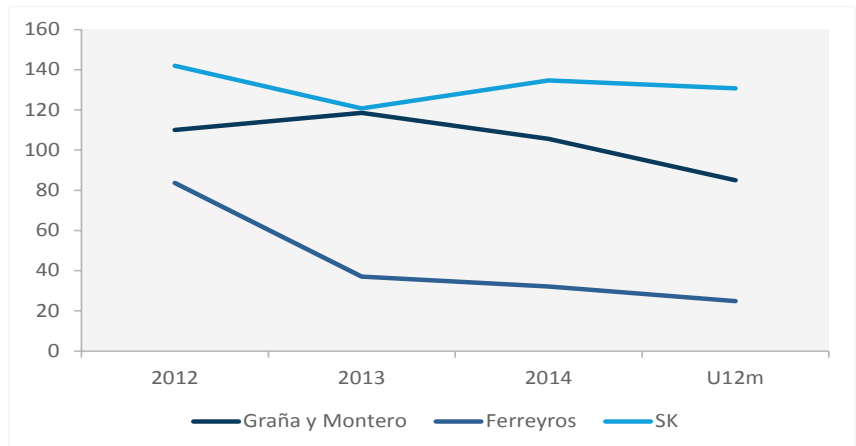
Agustín Álvarez  
562 2 692-2576  
aalvarezma@bice.cl

1. INVESTMENT THESIS

The company has been more resilient than its regional machinery and engineering & construction peers... which has been reflected in the stock price

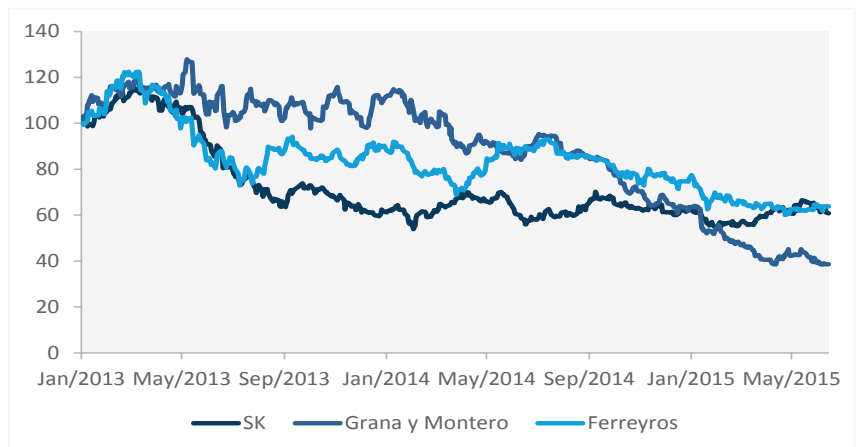
Main SK's regional peers are local E&C business (Salfacorp, Besalco), and Peruvian players like Graña y Montero (E&C) and Ferreyros (machinery). Looking at the industry returns and relative valuation multiples, we can see that SK has shown a more resilient performance than its peers, which could be misunderstood as a negative issue in the investment thesis, at a first glance. However, when analyzing the relative performance of its net income (which is much more stable) and its business portfolio, one can easily see significant differences. While main peers on average have shown a 29% drop in profits since 2012, SK has shown a 5% decline. On the other hand, although about 70% of SK's EBITDA comes from mining, E&C and machinery segments (the most volatile) represent only 28% of consolidated EBITDA vs 100% for its peers.

1 Net income evolution (USD M)



Source: Company Reports, BICE Inversiones.

2 Price Return (USD)



Source: BICE Inversiones.

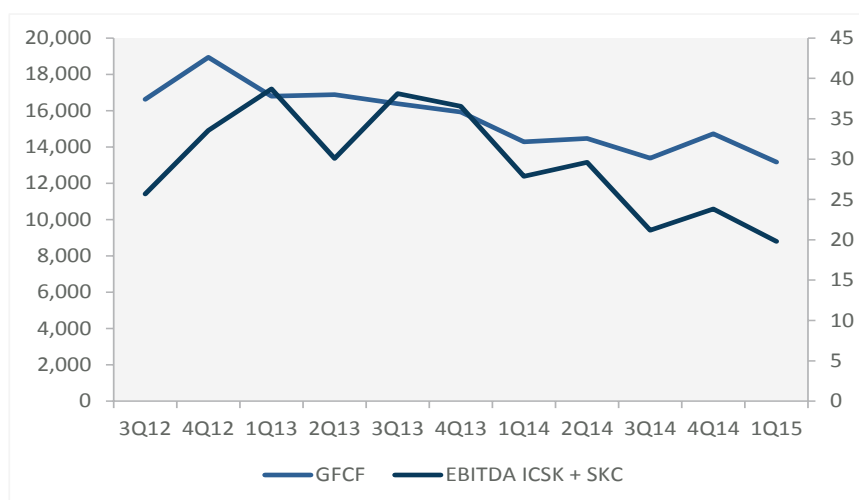
### 1. INVESTMENT THESIS

There is a good chance to see investment recoveries in the segments where SK operates

Certainly the slowdown in aggregate investment and mining affected the company. Since the second half of 2013, we have seen a drop in aggregate investment in Chile (fell over 10% YoY, going to 23% of GDP from a 26% recent peak), which is also reflected in the company’s growth figures.

However, in the medium term we believe that given the water shortage in northern Chile there should be several works on the desalination field (the company has already partnered with Degremont, a successful operator in the area), and there are numerous projects on hold that could be restarted, given the stabilization in copper prices. We are probably close to an investment floor in the segments where it operates, and relevant projects could be announced, as was the case with the recent transmission line between the SIC and SING.

### 3 GFCF vs. SKC + ICSK’s EBITDA



\* GFCF: Gross Fixed Capital Formation

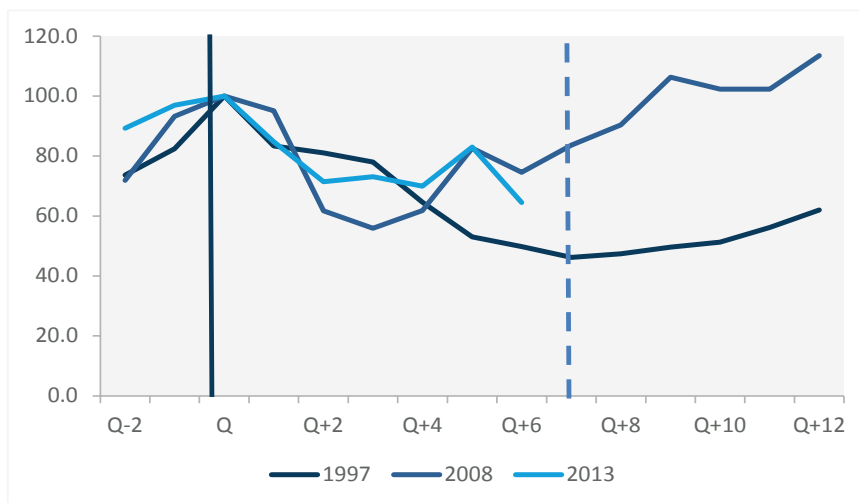
Source: BICE Inversiones.

Looking investment correction cycle, we are certainly in a very advanced level, and with a high probability should experience a recovery in the second half. Comparing the recent average investment cycles (1997, 2008 and 2012), generally reach a bottom in the contraction between 4 and 6 quarters after the peak. In the current case we have gone through six quarters correcting, which could lead to normalization during the second half.

The big question lies in the speed of subsequent recovery. In 2008 a rapid recovery with interannual high double-digit growth was recorded, while in 97 the recovery exhibited low double-digits and then stabilized at a plateau. If investment proves to be structurally hit by recent reforms (labor, political, tax, etc.) the recovery will be slower, but in terms of earnings dynamics the company should be near of a floor.

1. INVESTMENT THESIS

4 Average Capex Cycle



Source: Central Bank, BICE Inversiones.

**Magotteaux: integration is showing progress, but the restructuring will not be easy**

Magotteaux is certainly the most uncertain segment in the company’s portfolio. Although its acquisition after the sale of CTI (an electric appliances producer) translated into a more coherent portfolio, the company has struggled to deliver operational efficiencies. There is a feeling that it continues to be a “portfolio investment”, where the management is still trying to understand the company and define a roadmap. In addition, the cement industry has had a slower recovery (affecting business segments focused in this area), Europe has posted a weak economic recovery, leading to a slower and more expensive restructuring process in its European operations than previously expected.

5 Operating Figures Elecmetal vs. Magotteaux

Elecmetal	2012	2013	2014
Revenues	496.7	542.1	577.2
EBITDA	79.0	79.8	72.9
<b>EBITDA Margin</b>	<b>15.9%</b>	<b>14.7%</b>	<b>12.6%</b>
<b>Magotteaux</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Revenues	794.3	807.8	776.5
EBITDA	75.8	80.5	69.0
<b>EBITDA Margin</b>	<b>9.5%</b>	<b>10.0%</b>	<b>8.9%</b>

Source: Company Reports, BICE Inversiones.

## 1. INVESTMENT THESIS

### A closer look at one of Magotteaux local peers

It is not easy to find peers in Magotteaux's segment. Arrium is the largest grinding media operator worldwide but it also has a major iron ore mining business, distorting the analysis. The second largest global operator is Magotteaux and then there are several smaller operators.

Locally, Elecmetal would be the closest peer, however, it also consolidates a glass containers company, a vineyard and a smaller subsidiary focused in printing media. Nonetheless, since all its relevant subsidiaries and the holding company trade on the local stock exchange, it is rather simple to make an implied valuation of the metallurgical business, which is the most similar to Magotteaux.

Elecmetal metallurgical segment currently records healthy operating figures, such as a ~13% EBITDA margin and ~19% ROIC. In addition, the company has developed a successful growth strategy, combining acquisitions (ME in US and Talleres Ventanas in Chile) and greenfield JVs with other companies (ESCO in Chile and Long Teng in China).

From an implied valuation point of view, it currently trades at 9.3x EV/EBITDA and 15.5x P/E. Since this company has shown better operational delivery and financial indicators than Magotteaux, along with successful execution of inorganic growth, we believe these valuations should be a ceiling for Magotteaux until we see a radical change in its operating indicators.

#### 6 Elecmetal Operating Breakdown (CLP Th M)

	Metalurgical	Glass Containers	Winery	Others	Consolidated
Revenues	350.1	108.3	134.9	7.8	593.3
EBIT	38.7	23.7	14.9	0.0	76.8
Depreciation	5.5	13.8	4.4	0.1	24.0
EBITDA	44.2	37.5	19.3	0.1	100.8
<b>EBITDA Margin</b>	<b>12.6%</b>	<b>34.6%</b>	<b>14.3%</b>	<b>1.8%</b>	<b>17.0%</b>
Financial Debt	62.9	108.6	44.6	0.0	216.0
Cash	19.5	50.5	24.1	0.0	94.1
Minority Interest					131.1
Net Income	23.8	16.6	10.1	0.9	51.4
Minority Interest					12.2
Controlling Interest	23.8	16.6	10.1		39.2
Cash	19.5	50.5	24.1	0.0	94.1
Financial Debt	62.9	108.6	44.6	0.0	216.0
Equity	120.9	132.1	158.7	15.4	427.1
Minority Equity	0.0	61.3	73.7	-4.0	131.1
<b>Controlling Sh. Equity</b>	<b>120.9</b>	<b>70.8</b>	<b>85.0</b>	<b>19.3</b>	<b>296.0</b>
<b>ROIC</b>	<b>18.9%</b>	<b>10.0%</b>	<b>6.7%</b>	<b>-</b>	<b>11.2%</b>

## 1. INVESTMENT THESIS

### 7 Elecmetal's Segments Implied Valuations

	Metalurgical	Glass Containers	Winery	Others	Consolidated
Mkt Cap	368.0	236.2	145.9	0.0	627.4
EV	411.4	341.7	166.3	0.0	880.4
EV/EBITDA	9.3x	9.1x	8.6x	0.0x	8.7x
P/E	15.5x	14.2x	14.4x	0.0x	16.0x
P/B	3.0x	1.8x	0.9x	0.0x	2.1x

Source: BICE Inversiones

### 8 Cristales Valuation Snapshot (CLP Th M)

	Valuation	Share	Equity	Glass	Media	Others (1)
Glass Cont. EV	341.7	100.0%	341.7	294.3	15.4	32.1
Cristales Debt	108.6	100.0%	108.6			
Cristales Cash	50.5	100.0%	50.5			
Santa Rita	145.9	60.6%	88.4			
Hold. Discount	74.4	100.0%	74.4			
<b>Current Mkt Cap</b>			<b>297.6</b>			

(1) Non-controlling interests in glass container companies

Source: BICE Inversiones

### 9 Elecmetal Valuation Snapshot (CLP Th M)

	Valuation	Share	Equity	Metalurgical	Others (2)
Metalurgical EV	511.4	100.0%	511.4	411.4	100.0
Cristales Debt	62.9	100.0%	62.9		
Cristales Cash	19.5	100.0%	19.5		
Cristales	297.6	53.6%	159.4		
Hold. Discount	0.0	100.0%	0.0		
<b>Current Mkt Cap</b>			<b>627.4</b>		

(2) Non-controlling interests in grinding media JV's

Source: BICE Inversiones

## 1. INVESTMENT THESIS

### Attractive organic growth opportunities could be approved in upcoming years

In the various businesses where the company operates, there are several opportunities for organic growth that should be carried out or announced in the coming quarters.

ICSK recently announced the award of ECL's transmission line (to interconnect SIC and SING), but we believe there might be new announcements in energy infrastructure in upcoming quarters, and we are also looking forward to desalination investments in mining and other projects. If this turns out to be the case, the company could conservatively keep its USD 700M short-term backlog in an environment with lower labor pressures that could lead to higher margins.

In Ventanas there is room to build storage warehouses (currently running a USD 20M investment and there is potential for additional ones). In FEPASA the company was recently awarded a freight contract with Minera Los Bronces, that would involve a USD 10M investment.

In Enaex the pending investment is Panna V project, that could add 350,000TM ammonium nitrate capacity per year and requires a USD 300M investment. In the short term the company would continue to invest in services segment at the same pace (USD 10-15M per year).

In Magotteaux the company is finalizing a 40M MT plant in Thailand, and has outstanding additional investment in Chile in a forged steel balls plant that would require about USD 40M.

On the other hand, the company expects SKC in Chile to deepen the leasing trend (instead of direct sales), and we are expecting their fleet to grow from ~ USD 200M to ~ USD400 M in the next 5 years.

Finally, once the economic cycle is reactivated, we see strong growth opportunities in the automotive business both in Peru (where it has an 18% market share) and Colombia (where its current market share is still low). In both markets, the automotive penetration still has significant room to grow.

Considering these investment plans and activities, we believe that the consolidated maintenance Capex should reach approximately USD 100M annually.



## 1. INVESTMENT THESIS

### 10 Investments by Segment

Segments	Status	Investment USD M	Description
<b>Ventanas</b>			
Fepasa	Under construction	10.0	Los Bronces Contract
Copper warehouse investments - I	Under construction	21.0	46 Th MT
Copper warehouse investments - II	Under evaluation	45.0	76 Th MT
<b>Magotteaux</b>			
Thailand Hi-Cr Grinding Balls	Rump-up	50.0	50 Th MT
Chile Steel Forged Grinding Balls	Under construction	40.0	140 Th MT
<b>Enaex</b>			
Panna V - Ammonium nitrate expansion	Under evaluation	300.0	350 Th MT
Calama and Mejillones Expansion	Under construction	30.0	-
<b>SKC</b>			
Organic Growth	Rump-up	200.0	Next 5yr Org. Growth

Source: Company Reports, BICE Inversiones.

### Inorganic growth could be boosted by an active acquisitions policy

We estimate the holding's consolidated subsidiaries have a cash generation of ~ USD 200M, distributing dividends of ~ USD 100M, while consolidated leverage is quite limited with Debt/Equity of 0.6x and Debt/EBITDA of 2.7x. Therefore, we believe the company should not have any problems to pursue the inorganic growth policy developed in recent years.

The most recent acquisitions were Davey Bickford (French company that develops electronic initiation devices for explosives) and Britanite (blasting services company in Brazil). The logic behind the first acquisition was to increase the company's client portfolio and to benefit from cross-selling with other products and services. In the second case, the company is currently very focused in the area of civil engineering works, and Enaex could bring the know-how in the mining segment that yields higher margins.

In the future, we think there might be several growth opportunities in the port area, since in Chile and the region there are still interesting bulk cargo ports that could be acquired by the company.

In the segment of castings and grinding media, we believe the company could continue to be an industry consolidator, but certainly in the short term the main focus should be on increasing profitability on current operations.

## 1. INVESTMENT THESIS

### A more coherent business portfolio, with very attractive returns...

SK has historically exhibited a high profitability driven by a very strong portfolio, with ROIC levels of +11% (in Enaex and SKIA +15% and +30%, respectively). This, combined with a conservative financing policy and attractive growth opportunities, leads to a significant value-creation potential.

#### 11 ROIC by Business

ROIC	2010-2013 Average	2013	2014
<b>Services</b>			
ICSK	14.5%	9.7%	25.1%
Ventanas	8.5%	11.0%	13.9%
<b>Industrial</b>			
Enaex	14.9%	16.6%	16.5%
Magotteaux	11.0%	10.1%	7.1%
SKIP	13.9%	11.8%	11.1%
<b>Commercial</b>			
SKC	12.2%	9.5%	5.8%
SKIA	46.3%	45.7%	34.2%
<b>Consolidated</b>	<b>11.2%</b>	<b>11.6%</b>	<b>10.1%</b>

Source: Company Reports, BICE Inversiones.

### High returns are based on significant entry barriers

In addition to attractive returns on investment, there are significant entry barriers for most businesses. For example, in Ventanas the company has certain captive customers where it is difficult to be substituted. In ICSK, it has great expertise and a huge talent pool in high complexity works that has allowed the company to partner with prestigious international partners (Bechtel, Degremont, etc.).

In the explosives business, high transportation costs are involved, so ammonium nitrate plants are usually near consumption centers (Chile, Australia, etc.) On the other hand, there are major fixed costs, such as port infrastructure required, among others that would raise the cost of an ammonium nitrate plant to no less than USD 500M. We believe that could further increase competition in the services segment, but we see less risk in the ammonium nitrate production.

## 1. INVESTMENT THESIS

### **We believe the market underestimates the value of its automotive business**

We believe the market might be underestimating the value contribution of the automotive business. This is partly explained by the segment's low visibility (not consolidated and therefore not reflected in the company's operating profit) and also due to the little information reported to the market.

Moreover, it is worth noticing that the company operates mostly as a wholesale distributor to other final car retailers, without sizable investment in stores and a very flexible cost structure. Thus, even though the market perceives it as a very risky business, the truth is the company has been able to maintain attractive profit levels and very attractive ROE's, in an adverse context of sharp declines in sales (-10.7% volume decline in Chile during 2014 and ~-18.5% expected for 2015).

In addition, SK has a highly diversified portfolio of brands and currencies, so in spite of the peso depreciation against USD (which affected US brands as Chrysler or Jeep), it was able to compensate this with Japanese or European brands, maintaining a more competitive supply than other distributors.

Taking a conservative valuation approach, the automotive business should represent close to 13% of its consolidated equity value.

### **However, the reduced liquidity is a concern**

The company currently exhibits a free float of 23.58%, where a 9.21% stake is held by AFPs and insurance companies, 6.43% by mutual funds, 7.95% by stockbrokers and other investors. Hence, the stock liquidity is relatively low, and has steeply declined in recent years to USD 0.6M average daily value traded (March 2015), from USD 1.5M in 2014 (-60% YoY).

This fact somehow diminishes the stock's appeal for shorter-term investors and makes it more suitable for long-term ones. We believe that an increase in the free float would greatly enhance the stock's liquidity and could reduce the discount in market valuations.

## 2. VALUATION

In order to value SK's shares, we used a Sum of the Parts Model (SOTP), calculating the equity for each business segment separately, using a DCF method and multiplying it by SK's share. Finally, we applied a 10% holding discount and we discounted the SG&A and holding's net debt present value.

Using the previous assumptions, we obtained the 2015E target price of 1,096. Considering this price and a 3.7% 15E dividend yield, SK offers an expected return of 18.9%, justifying our BUY recommendation.

### 1 Sum of Parts (USD M)

	EV	NFD	Min. Interest	Equity	Share (%)	Equity	EV/EBITDA	P/E	P/B
<b>Services</b>									
ICSK	293.8	48.0	10.0	245.8	60.4%	<b>148.6</b>	7.3x	6.9x	2.2x
Ventanas	432.4	39.9	52.5	340.0	50.0%	<b>170.0</b>	9.2x	13.4x	2.1x
<b>Industrial</b>									
Enaex (*)	1,687	192.1	1.4	1,495	60.7%	<b>907.8</b>	10.1x	15.1x	2.8x
Magotteaux	804.3	175.5	35.2	628.8	95.0%	<b>597.4</b>	9.5x	16.4x	1.0x
SKIP	11.8	2.3	0.0	9.5	74.6%	<b>7.1</b>	4.8x	5.7x	0.7x
<b>Commercial</b>									
SK Comercial	542.4	249.0	1.4	293.3	82.8%	<b>242.9</b>	8.7x	35.8x	2.0x
SKIA	280.3			283.5	100.0%	<b>283.5</b>		10.0x	3.9x
<b>Total Assets (USD M)</b>						<b>2,357</b>			
NPV of Holding's SG&A						94.6			
Holding NFD						183.9			
<b>NAV</b>						<b>2,079</b>			
Holding Discount						10.0%			
Equity (USD M)	3,305	787.5				1,871	8.7x	13.9x	1.6x
# Shares (M)						1,075			
<b>TARGET PRICE DEC-15 (\$)</b>						<b>1,096</b>			
Current Market Price (\$)						952			
<b>Upside</b>						<b>15.2%</b>			

\* Includes Davey Bickford + Britanite

Source: BICE Inversiones.

2. VALUATION

2 Relative Valuation

E&C	Country	Mkt Cap USD	LTM P/E	P/E 5Yr	EV/EBITDA	EV/EBITDA 5Yr	P/B	P/B 5y	USD 3M Return
Graña y Montero	PERU	971.9	12.7x	17.4x	6.3x	7.5x	1.2x	3.1x	-14.0%
Concreto	COLOMBIA	393.3	19.3x	22.2x	14.4x	14.0x	0.9x	1.2x	-4.2%
Salfacorp	CHILE	308.2	9.1x	20.1x	8.0x	9.8x	0.6x	1.7x	-8.0%
El Condor	COLOMBIA	294.2	13.4x	14.6x	12.9x	16.1x	1.1x	1.3x	-5.0%
Besalco	CHILE	251.7	-	35.0x	26.8x	35.2x	1.0x	2.6x	-21.4%
EISA	CHILE	231.6	31.8x	35.0x	11.0x	14.7x	1.5x	1.8x	9.8%
<b>Median</b>			<b>13.4x</b>	<b>21.2x</b>	<b>12.0x</b>	<b>14.3x</b>	<b>1.0x</b>	<b>1.8x</b>	<b>-6.5%</b>
<b>Ports</b>									
Ventanas	CHILE	330.2	12.0x	18.7x	8.8x	9.3x	3.0x	3.1x	13.9%
SMSAAM	CHILE	807.1	12.6x	14.2x	9.9x	9.7x	1.1x	1.3x	7.9%
Santos Brasil	BRAZIL	493.0	20.1x	16.9x	6.0x	6.2x	1.1x	2.2x	9.4%
<b>Median</b>			<b>12.6x</b>	<b>16.9x</b>	<b>8.8x</b>	<b>9.3x</b>	<b>1.1x</b>	<b>2.2x</b>	<b>9.4%</b>
<b>Grinding Media - Castings</b>									
Elecmetal	CHILE	990.5	17.6x	17.9x	9.1x	8.8x	2.1x	1.8x	5.2%
Arrium	AUSTRALIA	342.3	-	9.9x	6.1x	4.7x	0.1x	0.5x	-15.1%
<b>Median</b>			<b>17.6x</b>	<b>13.9x</b>	<b>7.6x</b>	<b>6.8x</b>	<b>1.1x</b>	<b>1.1x</b>	<b>-4.9%</b>
<b>Leasing</b>									
Ferreyros	PERU	449.7	19.9x	13.7x	6.4x	6.3x	0.9x	1.5x	2.5%
Finning	CANADA	3,427.3	13.8x	15.9x	8.3x	8.6x	1.9x	2.8x	6.1%
Ramirent	FINLAND	782.4	22.8x	27.3x	5.6x	5.8x	2.3x	2.4x	3.4%
H&E Equipment	UNITED STATES	785.2	15.1x	18.3x	4.5x	6.3x	6.0x	6.5x	-3.7%
Invicta	SOUTH AFRICA	682.7	12.1x	10.4x	-	14.4x	2.6x	2.7x	9.7%
<b>Median</b>			<b>15.1x</b>	<b>15.9x</b>	<b>6.0x</b>	<b>6.3x</b>	<b>2.3x</b>	<b>2.7x</b>	<b>3.4%</b>
<b>Auto Dealers</b>									
SIME	MALAYSIA	14,202.4	22.1x	18.5x	15.3x	13.6x	1.8x	2.2x	-7.7%
Toyota Tsusho	JAPAN	9,723.4	17.6x	12.2x	9.4x	8.5x	1.1x	1.0x	4.8%
Jardine Cycle	SINGAPORE	9,556.3	12.2x	12.6x	7.4x	8.0x	2.1x	2.7x	-5.1%
Inchcape	BRITAIN	5,727.2	20.9x	13.2x	11.4x	8.2x	2.9x	1.6x	14.9%
Sinomach	CHINA	3,831.8	25.8x	17.9x	-	15.5x	4.5x	2.4x	75.0%
CFAO	FRANCE	2,237.4	19.5x	18.5x	8.0x	8.2x	2.7x	3.3x	9.3%
Tan Chong	HONG KONG	709.0	5.6x	5.1x	6.0x	7.8x	0.5x	0.5x	11.2%
Auto Hall	MOROCCO	445.6	19.8x	17.9x	11.4x	9.6x	2.5x	2.2x	6.7%
<b>Median</b>			<b>19.7x</b>	<b>15.6x</b>	<b>9.4x</b>	<b>8.4x</b>	<b>2.3x</b>	<b>2.2x</b>	<b>8.0%</b>
<b>SK</b>	<b>CHILE</b>	<b>1,612.2</b>	<b>12.4x</b>	<b>13.2x</b>	<b>8.2x</b>	<b>8.8x</b>	<b>1.4x</b>	<b>1.9x</b>	<b>11.3%</b>

Source: BICE Inversiones

3. FINANCIAL STATEMENTS

BALANCE SHEET (USD M)	2012	2013	2014	2015	2016	2017
Current Assets	1,261.6	1,251.0	1,162.4	1,130.2	1,209.1	1,253.4
Trade and current receivables	637.9	632.2	559.7	537.9	584.5	609.9
Inventories	361.7	344.1	311.0	294.7	321.1	333.9
Other current assets	42.1	58.2	54.3	55.3	56.4	57.6
Cash and cash equivalents	219.9	216.4	237.5	242.2	247.1	252.0
Fixed Asset	1,290.8	1,232.8	1,181.3	1,448.0	1,455.1	1,450.0
Goodwill	223.9	222.9	226.0	230.5	235.1	239.8
Non-goodwill Intangible Assets	570.2	563.2	546.9	557.9	569.0	580.4
Related Companies	155.9	156.1	134.0	57.6	58.7	59.9
Other non-current assets	147.4	172.8	149.9	152.9	156.0	159.1
<b>Total Assets</b>	<b>3,649.9</b>	<b>3,598.7</b>	<b>3,400.5</b>	<b>3,577.0</b>	<b>3,683.0</b>	<b>3,742.6</b>
Trade and current payables	382.3	370.6	272.3	258.0	281.1	292.3
Other current liabilities	189.0	157.2	155.6	158.7	161.9	165.1
Other non-current liabilities	401.3	392.3	345.2	352.1	359.1	366.3
Financial Debt	0.0	1,073.7	1,025.0	1,132.0	1,112.5	1,054.1
<b>Total Liabilities</b>	<b>2,066.9</b>	<b>1,993.8</b>	<b>1,798.1</b>	<b>1,900.8</b>	<b>1,914.6</b>	<b>1,877.8</b>
Minority Interest	407.3	414.6	403.6	429.2	459.1	489.9
Equity Controller	1,175.6	1,190.4	1,198.9	1,247.0	1,309.3	1,374.8
<b>Total Equity + Liabilities</b>	<b>3,649.9</b>	<b>3,598.7</b>	<b>3,400.5</b>	<b>3,577.0</b>	<b>3,683.0</b>	<b>3,742.6</b>
<b>INCOME STATEMENT (USD M)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Revenues	2,786.4	2,953.0	2,499.6	2,402.4	2,610.3	2,723.7
Cost of Sales and SG&A	-2,540.4	-2,689.0	-2,264.4	-2,156.3	-2,337.6	-2,430.5
Other operating income (expenses)	18.6	18.4	11.4	13.6	15.1	15.6
<b>Operating Income</b>	<b>264.5</b>	<b>282.5</b>	<b>246.6</b>	<b>259.6</b>	<b>287.9</b>	<b>308.8</b>
<i>Operating Margin</i>	<i>9.5%</i>	<i>9.6%</i>	<i>9.9%</i>	<i>10.8%</i>	<i>11.0%</i>	<i>11.3%</i>
Financial Income	5.8	4.7	5.0	5.6	5.6	5.7
Financial Expenses	-56.4	-61.8	-52.5	-51.1	-55.4	-54.4
Profit from related companies	39.1	50.1	61.5	51.3	51.3	51.3
Fx differences	1.1	-8.0	-6.4	-13.3	-13.5	-13.8
Results by readjustment Units	-3.8	-54.3	1.7	4.7	4.7	4.7
<b>Non-operating Income</b>	<b>-14.2</b>	<b>-69.3</b>	<b>9.3</b>	<b>-2.8</b>	<b>-7.4</b>	<b>-6.6</b>
Net Income Before Taxes	250.3	213.2	255.9	257.7	280.8	306.8
Income Tax	-46.6	-17.4	-44.6	-57.2	-68.4	-83.0
Minority Interest	-62.9	-75.0	-76.6	-71.6	-72.8	-74.5
<b>Net Income</b>	<b>141.5</b>	<b>120.8</b>	<b>134.7</b>	<b>129.0</b>	<b>139.7</b>	<b>149.3</b>
<i>Net Margin</i>	<i>5.1%</i>	<i>4.1%</i>	<i>5.4%</i>	<i>5.4%</i>	<i>5.4%</i>	<i>5.5%</i>
<b>EBITDA</b>	<b>382.0</b>	<b>409.1</b>	<b>365.6</b>	<b>380.8</b>	<b>414.0</b>	<b>440.8</b>
<i>EBITDA Margin</i>	<i>13.7%</i>	<i>13.9%</i>	<i>14.6%</i>	<i>15.9%</i>	<i>15.9%</i>	<i>16.2%</i>

Source: Company Reports, BICE Inversiones.

#### 4. COMPANY DESCRIPTION

We believe important to describe in some detail the different businesses in which the company participates, since several of them are little understood by the market, resulting in greater valuation discounts. On the other hand, it has certain non-controlling interests that have less visibility in operating results and in our view, they could also be undervalued.

The company has a number of business segments broken down into three areas that support the mining industry (services, industrial and commercial). After reorganizing its business portfolio by selling CTI (local producer of electronic appliances) to Electrolux and acquiring Magotteaux (grinding media producer for mining and cement), SK has tried to evolve from being an industrial conglomerate without a defined profile to a company involved in every stage of the mining business, to leverage their customer networks and its cross-selling potential.

In simple terms, the company has an invested capital close to USD 2.6 bn, distributed among its three segments: 11% in services, 62% in industry and 17% in commercial & automotive.

#### 1 Capital Invested by Business (USD M)

	SK Ownership	Financial Debt	Minority Interest	Equity	Total Equity	IC	Goodwill	IC*	% IC
<b>Services</b>									<b>10.5%</b>
ICSK	60.4%	56.3	16.5	110.3	126.8	183.1	23.4	134.1	5.8%
Ventanas	50.0%	50.5	52.5	106.7	159.2	209.6	5.8	110.7	4.8%
<b>Industrial</b>									<b>61.9%</b>
Enaex	60.7%	181.5	1.4	531.8	533.2	714.7	15.6	449.5	19.3%
Magotteaux	95.0%	222.5	35.2	587.6	622.8	845.3	176.7	979.7	42.1%
SKIP	74.6%	3.5	0.0	12.9	12.9	16.5	0.0	12.3	0.5%
<b>Commercial</b>									<b>16.9%</b>
SKC	82.8%	261.4	1.4	119.1	120.4	381.8	4.5	320.6	13.8%
SKIA	100.0%	0.0	0.0	72.4	72.4	72.4	0.0	72.4	3.1%
<b>Holding Net Debt</b>		<b>249.3</b>				<b>249.3</b>		<b>249.3</b>	<b>10.7%</b>
<b>Consolidated</b>		<b>1,025</b>	<b>403.6</b>		<b>1,602</b>	<b>2,673</b>	<b>226.0</b>	<b>2,329</b>	<b>178.8%</b>

Source: BICE Inversiones, Company Reports

#### 4. COMPANY DESCRIPTION

Currently the company's consolidated LTM EBITDA amounted to ~USD 364M, posting a strong growth over the 2010-2013 period (10.8% CAGR), but declining 10.6% in 2014, affected by the challenging macroeconomic environment.

#### 2 Main Results by Segment

	Sales	EBITDA	Net Income	Controlling Net Income
<b>Services</b>	<b>697.2</b>	<b>87.0</b>	<b>60.7</b>	<b>34.5</b>
ICSK	554.7	40.2	35.4	21.4
Ventanas	142.4	46.8	25.3	13.1
<b>Industrial</b>	<b>1,426.2</b>	<b>225.6</b>	<b>127.2</b>	<b>83.4</b>
Enaex	646.0	154.1	99.1	60.2
Magotteaux	776.5	69.0	26.4	21.9
SKIP	3.7	2.5	1.7	1.3
<b>Commercial</b>	<b>383.2</b>	<b>62.2</b>	<b>36.1</b>	<b>35.4</b>
SKC	383.2	62.3	5.1	4.4
SKIA	0.0	-0.1	30.9	30.9
<b>Intercompany</b>	<b>-7.0</b>	<b>-9.1</b>		<b>-18.6</b>
<b>Consolidated</b>	<b>2,499.6</b>	<b>365.6</b>	<b>223.9</b>	<b>134.7</b>

Source: Company Reports, BICE Inversiones

#### Services Segment

In the services segment, the company has an engineering and construction subsidiary (ICSK) and a train and port operator company (Ventanas).

##### \* ICSK

ICSK is the founding business of the holding company, in which SK has particularly specialized in the industrial assembly areas.

##### \* Ventanas

Ventanas is the main bulk operator in Chile and operates the Ventanas port located in the V Region. It receives clinker (used in the cement industry) and coal (used by closer power plants), while dispatching copper concentrate mainly from Codelco. Since 2009, it has recorded a 68% volume growth, bringing the EBITDA margin to 33.4% and pushing consolidated ROIC to 14% (vs the historical average of 8.5%). Currently it is operating at ~ 100% of its estimated 6,000 MT capacity.



#### 4. COMPANY DESCRIPTION

It also consolidates Fepasa, a rail freight company with presence in various businesses such as mining and forestry. Certainly this business figures showed lower profitability, partially explained by rail infrastructure constraints in Chile, despite the high potential of these means of transport in Chile. It recently signed a freight forwarding contract with Minera Los Bronces, which could boost its carried cargo. The business currently generates an EBITDA margin close to 10%, with an estimated ~ 7% ROIC.

#### Industrial segment

In the industrial area the company is present through Enaex (blasting and explosives) and Magotteaux (grinding media).

##### \* Enaex

Enaex is a blasting services and explosives production company. It is currently the largest producer of ammonium nitrate and explosives for the mining industry in Chile, with a 60% market share in Chile and relevant positions in other regional markets. This business represents about ~ 20% of SK's consolidated EBITDA, recording stable margins in recent years (EBITDA margin between 23% and 25%) and a ROIC of 16.5%. It is currently operating at ~100% of its production capacity, with the potential to grow in the service business and to decrease its exports volumes (lower margin), to supply the growing local market. According to our estimates, there is a good chance for the ammonium nitrate plant expansion (+ 350,000 TM) to be approved in the upcoming years (Panna V project), which has already been granted with environmental approval.

##### \* Magotteaux

Magotteaux produces grinding media and castings used in the cement and mining industry. It is the leading world producer of high-chrome grinding balls, widely used in the cement industry, with a 44% share worldwide. It also has a significant position in the mining segment with a 14% global share. This business has shown a significant deterioration in EBITDA margin in recent years, going down from +10% before 2013 to ~ 9% in 2014, and as a consequence ROIC has also decreased to ~7%, providing 19 % of consolidated EBITDA (vs. an estimate of ~ 40% of capital invested). This decrease in margins is partly explained by the sharp contraction exhibited by the cement industry, but also by worse prospects in mining, and increased costs to relocate plants from Europe to other markets.

#### 4. COMPANY DESCRIPTION

##### Commercial Segment

In the commercial area, the company operates in the distribution of industrial machinery and equipment (SKC) and also has a non-controlling stake in SK Bergé that distributes automobiles in Chile, Peru, Colombia and Argentina.

##### \* SKC

SKC participates in the distribution of machinery and equipment, through direct sales and leasing operations. The company has a high exposure to the mining business, but also operates in other segments such as forestry or agriculture. The sharp slowdown in investment levels has impacted the margins of the company, although it has historically operated with an EBITDA margin close to 20%, ROIC of 12% and represented about 25% of the consolidated EBITDA. Currently it has a leading position in Chile with 20% of market share, while in Peru it also has a significant 15% share (second largest industry player).

##### \* SKBergé

SK Bergé is a joint venture with the Spanish industrial conglomerate Bergé, which distributes a broad portfolio of brands to other automotive retailers in Chile and also offer pre-delivery services. Business has shown an exponential growth in recent years due to increased demand in the region, while presenting less risk than the automotive retail business (because the company does not operate retail dealerships, and their margins shrink less in negative cycles). Its investment in the automotive business recorded a ROE higher than 40% in recent years, with Net Income representing more than 20% of total consolidated earnings.

 SALES TEAM

**Felipe Figueroa E.**

Equity Sales and Trading  
ffigueroa@bice.cl

**Jacinto Laso P.**

Equity Sales and Trading  
jacinto.laso@bice.cl

**José Manuel Baeza O.**

Equity Sales and Trading  
jose.baeza@bice.cl

**Tomás Ritchie M.**

Equity Sales and Trading  
tomas.ritchie@bice.cl

**Andrés De la Cerda G.**

Fixed Income and Currency  
adelacer@bice.cl

 RESEARCH TEAM

**Agustín Álvarez M.**

Head of Research  
aalvarezma@bice.cl

**Aldo Morales E.**

Retail & Consumer Staples  
amoralese@bice.cl

**Carla Rojas R.**

Commodities  
crojasr@bice.cl

**Pilar Montaner R.**

Utilities  
pmontaner@bice.cl

**Sebastián Senzacqua B.**

Chief Economist  
ssenzacqua@bice.cl

**Felipe Barragán H.**

Economist  
fbarragan@bice.cl

**Francisca Bustamante C.**

Strategy  
fbustamante@bice.cl

**Camilo Larraín D.**

Strategy  
clarrain@bice.cl

**Contact**

600 400 4000

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